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**CAPITAL
VC LIMITED**

首都創投有限公司

Capital VC Limited
首都創投有限公司

*(Incorporated in the Cayman Islands with limited liability
and carrying on business in Hong Kong as CNI VC Limited)*

(Stock Code: 02324)

RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2016

The board of directors (the “Board”) of Capital VC Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 30 September 2016 together with the comparative figures in the fifteen months ended 30 September 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2016

		Year ended 30 September 2016	Fifteen months ended 30 September 2015
	<i>Notes</i>	HK\$	HK\$
Turnover	3	(235,969,328)	406,671,315
Other income		6,055,000	12,903
Administrative expenses		(26,449,396)	(18,428,820)
Impairment loss on available-for-sale investments		–	(28,264,000)
Operating (loss)/profit		(256,363,724)	359,991,398
Finance costs		(3,248,695)	(3,805,318)
Share of results of an associate		(5,948,664)	2,217,102
(Loss)/profit before tax	5	(265,561,083)	358,403,182
Income tax credit/(expenses)	6	58,555,454	(60,922,203)
(Loss)/profit for the year/period		(207,005,629)	297,480,979
Dividend	7	–	–
			(Restated)
(Loss)/earnings per share	8		
– basic		(0.0661)	0.2353
– diluted		(0.0661)	0.2353

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Year ended 30 September 2016 HK\$	Fifteen months ended 30 September 2015 HK\$
(Loss)/profit for the year/period attributable to equity holders of the Company	<u>(207,005,629)</u>	<u>297,480,979</u>
Other comprehensive (loss)/income		
Other comprehensive (loss)/income to be reclassified to profit or loss subsequently:		
Fair value changes of available-for-sale investments	<u>(5,662,920)</u>	<u>6,008,000</u>
Other comprehensive (loss)/income for the year/period, net of tax	<u>(5,662,920)</u>	<u>6,008,000</u>
Total comprehensive (loss)/income for the year/period attributable to equity holders of the Company	<u><u>(212,668,549)</u></u>	<u><u>303,488,979</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	Notes	2016 HK\$	2015 HK\$
Non-current assets			
Plant and equipment	9	29,730,553	35,705,808
Interest in an associate	10	44,724,111	73,712,468
Available-for-sale investments	11	126,721,080	119,384,000
Amounts receivable on disposal of available-for-sale investments	12	–	5,000,000
Deferred tax assets		9,843,716	–
		<u>211,019,460</u>	<u>233,802,276</u>
Current assets			
Financial assets at fair value through profit or loss	13	862,451,966	982,276,147
Prepayments, deposits and other receivables	12	41,774,352	130,143,656
Amount due from an associate	10	73,466,465	95,842,223
Tax recoverable		5,085,503	–
Bank balances		13,420,371	191,513,142
		<u>996,198,657</u>	<u>1,399,775,168</u>
Asset classified as held for sale	10	23,039,693	–
		<u>1,019,238,350</u>	<u>1,399,775,168</u>
Current liabilities			
Other payables and accruals	14	108,965,838	250,949,702
		<u>910,272,512</u>	<u>1,148,825,466</u>
Net current assets		<u>1,121,291,972</u>	<u>1,382,627,742</u>
Total assets less current liabilities		<u>1,121,291,972</u>	<u>1,382,627,742</u>
Non-current liabilities			
Deferred tax liabilities		–	48,717,471
		<u>1,121,291,972</u>	<u>1,333,910,271</u>

	<i>Notes</i>	2016 HK\$	2015 <i>HK\$</i>
Capital and reserves			
Share capital		15,653,016	7,825,408
Reserves		<u>1,105,638,956</u>	<u>1,326,084,863</u>
Total equity attributable to equity holders of the Company		<u><u>1,121,291,972</u></u>	<u><u>1,333,910,271</u></u>
Net asset value per share	<i>15</i>	<u><u>0.3582</u></u>	<u><u>0.8523</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2016

1. BASIS OF PREPARATION AND PRESENTATION

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The principal activities of the Group are engaged in investing in listed and unlisted companies mainly in Hong Kong and the People’s Republic of China (the “PRC”).

The Company announced on 24 June 2015 that the financial year end date of the Company changed from 30 June to 30 September commencing from the financial year 2014/15. The corresponding comparative amounts shown for the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and related notes cover a period of fifteen months from 1 July 2014 to 30 September 2015 (the “Period 2015”) and therefore may not be comparable with the amounts shown for the Year ended 30 September 2016 (the “Year”).

The Company changed its financial year end date in order to align the Company’s financial year end date with that of its principal associate, CNI Bullion Limited which is the Group’s substantial investments.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

There are no new standards or amendments to HKFRSs issued by HKICPA that are first effective for the current accounting period of the Group.

The Group has not early applied the following new and revised HKFRSs and amendments that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to HKFRS 15	Clarification to IFRS 15 Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Disclosure Initiative ⁴
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to HKFRSs	Annual Improvements to IFRSs 2012-2014 Cycle ⁴
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁴
Amendments to HKAS 7	Disclosure Initiative ⁶
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁶

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2019

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after a date to be determined

⁶ Effective for annual periods beginning on or after 1 January 2017

The directors of the Company anticipate that the application of these new and revised HKFRSs and amendments will have no material financial impact on the consolidated financial statements of the Group.

3. TURNOVER

Turnover represents the amounts received and receivable on investments and net (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”) during the Year/Period 2015 as follows:

	Year ended 30 September 2016 HK\$	Fifteen months ended 30 September 2015 <i>HK\$</i>
Turnover		
Net realized (loss)/gain on financial assets at FVTPL	(180,159,108)	346,468,254
Net unrealized (loss)/gain on financial assets at FVTPL	(60,467,776)	51,255,910
Dividend income from investments in listed securities	–	307,877
Dividend income from investment in an available-for-sale investment	–	150,000
Interest income on amounts receivable on disposal of available-for-sale investments	1,225,000	1,098,930
Interest income on amount due from an associate	3,432,191	7,369,515
Bank and other interest income	365	20,829
	<hr/> (235,969,328) <hr/>	<hr/> 406,671,315 <hr/>

4. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular reports reviewed by the chief operating decision maker for decisions about resources allocated to the Group’s business components and for the review of the performance of those components.

The principal activity of the Group is investing in listed and unlisted companies. The Group has identified the operating and reportable segments as follows:

Investment in financial assets at FVTPL	–	Investments in listed securities and unlisted bonds
Investment in available-for-sale investments	–	Investments in unlisted securities
Interest in an associate	–	Investments in an entity which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture

4. SEGMENT INFORMATION (Continued)

	For the year ended 30 September 2016				
	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Interest in an associate <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	(240,626,884)	1,225,000	3,432,191	365	(235,969,328)
Administrative expenses	-	-	-	(26,449,396)	(26,449,396)
Segment result	(240,626,884)	1,225,000	3,432,191	(26,449,031)	(262,418,724)
Other income	-	-	-	6,055,000	6,055,000
Finance costs	(3,248,695)	-	-	-	(3,248,695)
Share of results of an associate	-	-	(5,948,664)	-	(5,948,664)
(Loss)/profit before tax	(243,875,579)	1,225,000	(2,516,473)	(20,394,031)	(265,561,083)
Income tax credit	58,555,454	-	-	-	58,555,454
(Loss)/profit for the year	<u>(185,320,125)</u>	<u>1,225,000</u>	<u>(2,516,473)</u>	<u>(20,394,031)</u>	<u>(207,005,629)</u>
Segment assets	876,965,662	159,250,675	118,190,576	52,811,204	1,207,218,117
Assets classified as held for sale	-	-	23,039,693	-	23,039,693
Segment liabilities	<u>102,252,055</u>	<u>-</u>	<u>-</u>	<u>6,713,783</u>	<u>108,965,838</u>
Other segment information					
Depreciation of plant and equipment	-	-	-	10,404,408	10,404,408
Purchase of plant and equipment	-	-	-	4,429,153	4,429,153

4. SEGMENT INFORMATION (Continued)

	For the fifteen months ended 30 September 2015				
	Investment in financial assets at FVTPL <i>HK\$</i>	Investment in available- for-sale investments <i>HK\$</i>	Interest in an associate <i>HK\$</i>	Unallocated <i>HK\$</i>	Total <i>HK\$</i>
Segment revenue	398,032,041	1,248,930	7,369,515	20,829	406,671,315
Administrative expenses	–	–	–	(18,428,820)	(18,428,820)
Impairment loss on available-for-sale investments	–	(28,264,000)	–	–	(28,264,000)
Segment result	398,032,041	(27,015,070)	7,369,515	(18,407,991)	359,978,495
Other income	–	–	–	12,903	12,903
Finance costs	(3,805,318)	–	–	–	(3,805,318)
Share of results of an associate	–	–	2,217,102	–	2,217,102
Profit/(loss) before tax	394,226,723	(27,015,070)	9,586,617	(18,395,088)	358,403,182
Income tax expenses	(60,922,203)	–	–	–	(60,922,203)
Profit/(loss) for the period	<u>333,304,520</u>	<u>(27,015,070)</u>	<u>9,586,617</u>	<u>(18,395,088)</u>	<u>297,480,979</u>
Segment assets	1,051,704,679	176,688,551	169,554,691	235,629,523	1,633,577,444
Segment liabilities	<u>294,000,193</u>	<u>–</u>	<u>–</u>	<u>5,666,980</u>	<u>299,667,173</u>
Other segment information					
Depreciation of plant and equipment	–	–	–	616,899	616,899
Purchase of plant and equipment	–	–	–	36,113,539	36,113,539

Given the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax has been arrived at after charging:

	Year ended 30 September 2016 HK\$	Fifteen months ended 30 September 2015 HK\$
Directors' emoluments	1,309,255	1,650,000
Staff costs		
– Salaries, allowances and other benefits	1,749,000	1,793,833
– MPF Scheme contributions	56,500	64,892
	<hr/>	<hr/>
Total staff costs	3,114,755	3,508,725
	<hr/>	<hr/>
Auditor's remuneration	550,000	525,000
Depreciation of plant and equipment		
– owned assets	10,404,408	616,899
Minimum lease payments under operating lease for rented premises	510,845	1,441,672
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX (CREDIT)/EXPENSES

The amount of taxation (credit)/expenses charged to the consolidated statement of profit or loss represents:

	Year ended 30 September 2016 HK\$	Fifteen months ended 30 September 2015 HK\$
Current tax expenses	5,733	–
Deferred tax (credit)/expense	(58,561,187)	60,922,203
	<hr/>	<hr/>
	(58,555,454)	60,922,203
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX (CREDIT)/EXPENSES (Continued)

Hong Kong Profits Tax is arrived at 16.5% on the estimated assessable profits for the Year. No provision for Hong Kong Profit Tax has been made for Period 2015 as the Group had no assessable profit.

The income tax for the Year/Period 2015 can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss as follows:

	Year ended 30 September 2016 HK\$	Fifteen months ended 30 September 2015 <i>HK\$</i>
(Loss)/Profit before tax	<u>(265,561,083)</u>	<u>358,403,182</u>
Tax at domestic income tax rate of 16.5% (2015: 16.5%)	(43,817,579)	59,136,525
Tax effect of share of results of an associate	981,530	(365,822)
Tax effect of income not taxable for tax purpose	(28,879,428)	(156,945)
Tax effect of expenses not deductible for tax purpose	8,459,273	4,764,456
Tax effect of temporary differences not recognised	4,700,750	(2,906,470)
Tax effect of loss not allowed	<u>–</u>	<u>450,459</u>
Income tax (credit)/expenses	<u>(58,555,454)</u>	<u>60,922,203</u>

7. DIVIDEND

The Board does not recommend the payment of a dividend for the Year (Period 2015: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the Group's loss for the Year attributable to the equity holders of the Company of HK\$207,005,629 (Period 2015: Profits of HK\$297,480,979), based on the weighted average number of 3,130,507,615 (Period 2015 (restated): 1,264,008,742) ordinary shares in issue during the Year.

The weighted average number of ordinary shares in issue during the Period 2015 was adjusted to reflect the bonus shares issued on 7 January 2016.

The computation of diluted loss per share for the Year did not assume the conversion of the Company's outstanding warrants as their assumed conversion would decrease the loss per share in the year.

9. PLANT AND EQUIPMENT

During the Year, the Group acquired the motor vehicles and parts for vessel at costs of HK\$4,429,153 in aggregate for business purpose.

10. INTEREST IN AN ASSOCIATE

	<i>Notes</i>	2016 HK\$	2015 <i>HK\$</i>
Cost of investment in an unlisted associate		4,500,000	4,500,000
Share of post-acquisition results		63,263,804	69,212,468
Transfer to asset classified as held for sale	<i>(a)</i>	(23,039,693)	–
		44,724,111	73,712,468
Amount due from an associate	<i>(b)</i>	73,466,465	95,842,223

At 30 September 2016, the Group has interest in the following associate:

Name of associate	Form of business structure	Class of shares held	Place of incorporation and operations	Nominal value of issued share capital	Percentage of equity attributable to the Group	Principal activities
CNI Bullion Limited ("CNI Bullion")	Incorporated	Ordinary share	Hong Kong	HK\$15,000,000	30% <i>(Note (a))</i>	Provision of services on trading of gold in gold market

Notes:

- (a) On 26 September 2016, the Company and an independent third party (the "Counterparty") entered into a letter of intent, pursuant to which Kendervon Profits Inc. ("Kendervon"), the then wholly-owned subsidiary of the Company holding 30% equity interest in CNI Bullion Limited, intended to issue and allot new shares to the Company and the Counterparty. Upon completion of the aforesaid share allotment, the Company's shareholding in Kendervon would decrease to 66% and the Counterparty would hold 34% equity interest in Kendervon, the Company's equity interest in CNI Bullion Limited would decrease from 30% to 19.8%, and the Company would resign as the sole director of Kendervon. Since the asset is available for immediate sale in its present condition and its sale is highly probable, 34% of the Group's interest in CNI Bullion Limited was classified as asset held for sale as at 30 September 2016.
- (b) The amount due from an associate was unsecured, bears interest at 8% per annum (Period 2015: 8%) and repayable on demand.

11. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$	2015 <i>HK\$</i>
Unlisted investments, at fair value	126,721,080	119,384,000

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Deposits and prepayments	4,574,777	5,050,000
Other receivables	4,669,980	77,789,105
Amounts receivable on disposal of available-for-sale investments	<u>32,529,595</u>	<u>52,304,551</u>
	41,774,352	135,143,656
Less: Shown under current assets	<u>(41,774,352)</u>	<u>(130,143,656)</u>
Shown under non-current assets	<u>–</u>	<u>5,000,000</u>

The carrying amounts of prepayments, deposits and other receivables at the end of the reporting period approximated their fair values. At 30 September 2016, no impairment loss was determined (Period 2015: Nil).

Included in other receivables are the following advances to third parties of the Group:

- (a) Margin receivables of HK\$4,669,980 (2015: HK\$69,428,532) are generated from investment in financial assets at FVTPL, with interest rate ranged from 0.001% to 0.003% (Period 2015: 0.001% to 0.003%) per annum for the Year.
- (b) The outstanding balance due from the purchaser of IIN Network Education (BVI) Limited (“IIN”) is HK\$16,864,718 (2015: HK\$19,414,674). Pursuant to the agreement signed with the purchaser, the deal to sell IIN was completed on 30 December 2011. The balance is interest-bearing at 5% per annum at 30 September 2016 (Period 2015: 5%).
- (c) The outstanding balance due from the purchaser of UCCTV Holdings Limited (“UCCTV”) is HK\$15,664,877 (2015: HK\$19,889,877). Pursuant to the agreement signed with the purchaser, the deal to sell UCCTV was completed on 25 December 2011. The balance is interest-bearing at 5% per annum at 30 September 2016 (Period 2015: 5%).
- (d) The amount receivable on disposal of available-for-sale investments as at 30 September 2015 also included a receivable from the purchaser of Richbird Holdings Limited of HK\$13,000,000, which has been fully collected during the Year.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL as at 30 September 2016 comprise:

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
Fair value:		
Unlisted bonds issued in Hong Kong	106,300,000	–
Listed securities held for trading		
– listed in Hong Kong	739,368,803	982,276,147
– listed outside Hong Kong	16,783,163	–
	<u>862,451,966</u>	<u>982,276,147</u>

The fair values of the Group's listed securities held for trading were determined based on the quoted market bid prices available on the relevant exchanges at the end of the reporting period.

The fair values of the Group's unlisted bonds issued in Hong Kong were measured using valuation techniques in which any significant input is not based on observable market data.

14. OTHER PAYABLES AND ACCRUALS

Other payables and accruals include margin payable of HK\$102,252,055 (2015: HK\$129,282,722) with interest rate ranged from 8% to 10% per annum for the Year (Period 2015: 8.25% to 10%). The balance as at 30 September 2015 also included a payable for acquisition for listed investments of HK\$116,000,000, which has been fully settled during the Year.

15. NET ASSET VALUE PER SHARE

The calculation of net asset value per share is based on the net asset value of the Group as at 30 September 2016 of HK\$1,121,291,972 (2015: HK\$1,333,910,271) and on the number of 3,130,603,123 ordinary shares of HK\$0.005 each in issue as at 30 September 2016 (2015: 1,565,081,441 ordinary shares of HK\$0.005 each).

The significant decrease in net asset value per share was mainly due to the bonus shares issued on 7 January 2016.

16. EVENTS AFTER THE REPORTING PERIOD

(i) Proposed share consolidation and rights issue

On 11 November 2016, the Board proposes to implement the share consolidation on the basis that every five issued and unissued shares of par value of HK\$0.005 each will be consolidated into one consolidated share of par value of HK\$0.025 each.

16. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(i) **Proposed share consolidation and rights issue** *(Continued)*

Subject to the share consolidation becoming effective, to raise approximately HK\$375.7 million before expenses by issuing 1,878,361,872 consolidated shares to the qualifying shareholders by way of the rights issue at a subscription price of HK\$0.20 per rights share on the basis of three rights shares for every one consolidated share held.

Detail of the share consolidation and rights issue are disclosed in the announcement of the Company dated 11 November 2016.

As 313,000,000 share options, which were granted on 21 November 2016, were fully exercised on 28 November 2016 (see note (ii) below), the total issued share capital of the Company increased from 3,130,603,123 shares as at 11 November 2016 to 3,443,603,123 shares as at 28 November 2016. Accordingly, the gross proceeds from rights issue and the number of rights shares will be adjusted to approximately HK\$413.2 million and 2,066,161,872 consolidated shares respectively.

(ii) **Grant and exercise of share options**

On 21 November 2016, the Company resolved to grant share options to eligible individuals to subscribe for up to 313,000,000 new ordinary share of HK\$0.005 each in the capital of the Company under the share option scheme of the Company adopted on 10 December 2013.

On 28 November 2016, the abovementioned share options was fully exercised at issue price of HK\$0.118 per share.

Details of the share options granted are disclosed in the announcement of the Company dated 21 November 2016.

(iii) **Disposal of a subsidiary**

On 22 December 2016, the Company entered into a sale and purchase agreement with an independent third party, who is also the counterparty mentioned in note 10(a) above, to dispose 34% of the entire issued share capital in Kendervon, a wholly-owned subsidiary of the Company, at a cash consideration of HK\$28,000,000. Based on the aforesaid sale and purchase agreement, the Company will resign as the sole director of Kendervon upon completion of the transaction. As at the date of this announcement, the Group had received HK\$14,000,000 of the consideration and remaining will be settled on 21 December 2017.

17. COMPARATIVE FIGURES

Comparative figures for the consolidated financial statements covering the period of 15 months from 1 July 2014 to 30 September 2015 may not be comparable with that for the current year due to change of accounting date in prior period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Year, the Group reported a negative turnover of approximately HK\$236.0 million (Fifteen months ended 30 September 2015 (“Period 2015”): positive turnover of HK\$406.7 million) and net loss attributable to equity holders of the Company of approximately HK\$207.0 million (Period 2015: profit of HK\$297.5 million). During the Fiscal Year 2015/16, the Group’s results of financial assets investment declined and recognised a loss of approximately HK\$240.6 million (Period 2015: profit of HK\$397.7 million). In line with performance of the financial assets investment, the performance of the Group’s investments in bullion trading business was unsatisfactory this Year. Loss of approximately HK\$5.9 million (Period 2015: profit of HK\$2.2 million) was shared to the Group in the Year. As a result of the retrogressive performance of financial assets investment and the CNI Bullion Limited, the Group’s associate, the Group’s net results changed from profit of HK\$297.5 million for the Period 2015 to loss HK\$207.0 million for the Year.

Liquidity and Financial Resources

As at 30 September 2016, the Group held assets of approximately HK\$1,230.3 million (30 September 2015: HK\$1,633.6 million), including bank balances of HK\$13.4 million (30 September 2015: HK\$191.5 million). Less cash and bank balances held by the Group this Year is principally attributable to settlement to payable for acquisition of listed securities of HK\$116.0 million as at 30 September 2015 and acquisition of financial assets at FVTPL of approximately HK\$120.8 million during the Year. The Group’s current ratio (as defined by current assets/current liabilities) increased to 9.4 as at 30 September 2016 from 5.6 as at 30 September 2015, which was maintained at a healthy level. The Board believes that the Group has sufficient resources to satisfy its working capital requirement.

Capital Structure

During the year ended 30 September 2016, the Company issued 159,755 shares at HK\$0.205 each per share and 140,243 shares at HK\$0.41 each per share due to the exercise of warrants and 1,565,221,684 shares were issued to the shareholders on the basis of one bonus share for every then existing share as at the record date of 22 December 2015. The number of the Company’s issued shares increased from 1,565,081,441 to 3,130,603,123 during the Year.

Capital Commitment

As at 30 September 2016, the Group had no material commitment.

Contingent Liabilities

As at 30 September 2016, the Group had no material contingent liabilities.

Charge of Assets

As at 30 September 2016, the Group had pledged financial assets at FVTPL of approximately HK\$634.7 million to secure the margin payables.

BUSINESS REVIEW AND PROSPECT

Following the stock market crash in late fiscal year 2014/15, the overall stock market in Hong Kong continued behaved unstable in the fiscal year 2015/16. Hang Seng Index (“HSI”) experienced a sharp rebound in October 2015, rose from 20,846 as at the end of September 2015 to over 23,000 in October 2016. The lift-off, however, cannot sustain and HSI fell below 18,500 in February 2016. HSI eventually marked at 23,297 as at 30 September 2016. In such unstable market environment, the Group’s listed securities performed not as good as previous years. Loss on listed investments of approximately HK\$241 million was recorded during the Year.

As mentioned in 2015/16 annual report of the Company, the Federal Reserve in December 2015 lifted rates for the first time in nearly a decade, but since then the US outlook had been clouded by a series of setbacks overseas. In their March meeting of 2016, the policymakers of the Federal Reserve halved their median forecast for the number of quarterpoint interest rate increases projected for this year to two. The pace of interest rate normalization was questioned. The situation may have changed, following Donald Trump elected the 45th president of United States of America. There may be a fundamental rethink in near-term outlook, as it relates to expectation to growth and also Federal Reserve policy. All of this has to do with increased optimism that there will be some fiscal stimulus in the near term and some type of deregulation, both of which will underpin growth. Since the president election on 8 November 2016, the benchmark 10-year Treasury has gone from a yield of 1.80 to 2.30 percent in a week. It has move higher with the US Dollar, which is up about 2.5 percent against a basket of currencies. The 30-year bond yield crossed the psychological 3 percent in the same period.

The business of gold trading has become very keen in the Hong Kong market. Loss of approximately HK\$5.9 million was shared to the Group from the Company’s associate – CNI Bullion Limited (“CNI”) during the Year. In Period 2015, profit of approximately HK\$2.2 million was shared. Although the Group still considers that CNI has a positive outlook in the long run, the Group has disposed of 34% equity stake in CNI, subsequent to the year-end date in December 2016, so as to diversify the Group’s portfolio risks.

During the Year, the Group further acquired 13% equity stake in Merit Advisory Limited at a consideration of HK\$13 million. As at 30 September 2016, the Group held 28% equity interest in Merit Advisory Limited. In addition, the Group have acquired two unlisted bonds issued by listed companies in Hong Kong at costs of HK\$106 million in aggregate. Save as mentioned above, the Group did not acquire or dispose of any unlisted investment during the Year.

As at 30 September 2016, the Group held bank balances of approximately HK\$13.4 million, deposits in securities firms of approximately HK\$4.7 million and margin payables of approximately HK\$102.3 million, which represented a net negative cash position of approximately HK\$84.2 million. The Directors consider that the cash position on hand will not be sufficient for the Group to capture suitable investment opportunities as they may arise in near future. Accordingly, the Company proposed a rights issue in November 2016. As at the date of this announcement, the circular of the rights issue is yet to be published.

Looking forward, we expect the investment environment in the US and other advanced economies will not be as stable as before. The US monetary and fiscal policies may have a dramatic change. Accelerating interest rate normalization may affect global investment atmosphere. In connection with the US foreign policy, Donald Trump may focus on the threat posed to the US by its trade relations with China. US may impose tariffs on various China products. Accordingly, the Directors consider that it will be a very challenging investment environment in this couple of years, and we will continue to adopt cautious measures to manage the Group's investment portfolio.

CODE OF CORPORATE GOVERNANCE PRACTICE

During the Year, the Company has complied with the code provisions in the Code of Corporate Governance Practice (the "CGP Code") contained in Appendix 14 to the Listing Rules, except for the deviations from the Code as described below:

CGP Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Decisions of the Company are made collectively by the Executive Directors. The Board believes that this arrangement enables the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure in place to ensure effective oversight of management.

CGP Code provision A.4.1 requires that non-executive directors should be appointed for a specific term and subject to re-election. Currently all Non-executive Directors (including Independent Non-executive Directors) have no specific term of appointment but they are subject to retirement by rotation in accordance with the Articles. As such, the Company considers that sufficient measures have been taken to serve the purpose of this CGP Code provision.

Pursuant to Provision A.6.7 of the CGP Code, independent non-executive directors and other non-executive directors should attend general meetings. Certain Independent Non-executive Directors could not attend all general meetings held in the Year due to other business commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiry to all Directors regarding any non-compliance with the Model Code during the Year and they all confirmed that they have fully complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

AUDIT COMMITTEE

The audit committee (“Audit Committee”) of the Board comprises all three Independent Non-executive Directors and is chaired by Mr. Lam Kwan, who possesses extensive financial and accounting experience in commercial sectors. It is responsible for appointment of external auditors, review of the Group’s financial information and oversight of the Group’s financial reporting system and internal control procedures. The Audit Committee is also responsible for reviewing the interim and final results of the Group prior to recommending them to the Board for approval. The results for the Year has been reviewed by the Audit Committee. It meets regularly to review financial reporting and internal control matters and to this end has unrestricted access to personnel, records and external auditors and senior management.

SCOPE OF WORKS OF MESSRS. CHENG & CHENG LIMITED

The figures in respect of the Group’s consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 30 September 2016 as set out in this announcement have been agreed by the Group’s auditors, Messrs. Cheng & Cheng Limited to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Cheng & Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Cheng & Cheng Limited in this announcement.

DISCLOSURE OF INFORMATION ON WEBSITES

All the information required by the Listing Rules will be published on the websites of the Stock Exchange and of the Company in due course.

By Order of the Board
Capital VC Limited
Chan Cheong Yee
Executive Director

Hong Kong, 30 December 2016

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Kong Fanpeng
Mr. Chan Cheong Yee

Independent non-executive Directors:

Mr. Lam Kwan
Mr. Ong Chi King
Mr. Lee Ming Gin

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.